Whyalla City Council

Treasury Management Policy	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	May 2022
Review Period	Two years
Last Reviewed	May 2022
Next Review Date	May 2024
Policy Version Number	7
Applicable Legislation	• Local Government Act 1999 Section 44, Section 47, Section 122, Section 134, Section 139, Section 140 • Local Government (Financial Management) Regulations 2011 5(1)
Related Documents	• LGA Financial Sustainability (paper 15)
Public Consultation Required	No
Purpose	To provide clear direction to Management, staff and Council in relation to the treasury function.

1. Introduction

This policy underpins Councils' decision-making regarding the financing of its operations as documented in its Annual Budget and Long Term Financial Plan and associated projected and actual cash flow receipts and outlays.

Council is committed to operating in a financially sustainable manner and maintains a Long Term Financial Plan to assist it to determine affordable service levels and revenue raising needs. This Plan also provides projections of future cash flow availability and needs.

2. Policy Objective

This Treasury Management Policy establishes a decision framework to ensure that:

- funds are available as required to support approved outlays;
- interest rates and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

3. Scope

The Treasury Management Policy covers the investments and borrowings of Council and is an important financial management tool that assists Councils' processes relating to borrowings and investments.

4. Definitions – Nil

5. Policy Statement

5.1 Treasury Management Strategy

Councils' operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost-effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Councils' long term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Councils' Net Financial Liabilities ratio).

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for its Net Financial Liabilities ratio;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its adopted budget and Long Term Financial Plan; and
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Council will hold all borrowings with the Local Government Finance Authority, due to the following considerations:

- very competitive interest rates;
- paying a bonus each year on balances held with them therefore reducing the effective interest rate paid;
- easy and convenient processes for setting up new loan facilities;
- products that specifically cater to Local Government borrowing requirements; and
- profits are reinvested into the Local Government sector.

5.2 Interest Rate Risk Exposures

Council has a set range of limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risk within acceptable limits.

5.2.1 Variable Interest Rate Borrowings

Council has established and makes extensive use of the Local Government Finance Authority 'Cash Advance Debenture' facility. This facility requires interest-only payments and enables any amount of principal to be repaid or redrawn at call. This provides Council with access to liquidity when needed and flexibility to pay down borrowings with excess funds.

5.2.2 Fixed Interest Rate Borrowings

To reduce Council's interest rate risk, approximately 50% of Council's total borrowings shall be fixed, with a target range of 30% to 70% over any financial year to allow for cash flow management. The decision to fix borrowings should be taken solely to remain with these targets, and not because fixed term rates are considered "low" at any particular time.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest borrowings, with no more than 50% of total fixed loans maturing in one financial year.

When fixing interest rates Council will use its existing Cash Advance

Debenture facilities, which provide the flexibility to convert a portion of the balance from variable to fixed interest rates for a nominated period. In this way, fixed interest loans will not require principle repayments and will covert back to variable at the end of the nominated period.

The decision to fix interest rates in line with this policy is delegated to the Director Corporate for periods of up to 5 years. Fixing of interest rates greater than 5 years will be by a decision of Council, with review by the Audit Committee.

5.2.3 *Investments*

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with "at call" market rates shall be kept at a level that is not greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments, the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Councils' variable interest rate borrowing facility.

When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Council Management may, from time to time, invest surplus funds in:

- deposits with the Local Government Finance Authority; and/or
- bank interest bearing deposits.

A report is to be provided to Council by the Chief Executive Officer covering all the aspects in Section 139(3) for any other investment that requires the specific approval of Council.

5.2.4 *Reporting*

At least once a year, Council shall receive a specific report regarding treasury management performance relative to this policy document via the Audit Committee. The report shall highlight:

- the quantum of fixed term investments, interest rates and maturity dates;
- the quantum of total borrowings, interest rates and maturity dates; and
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across this period along with key reasons for significant variances compared with the targets specified in this policy.

6. Authority

Adopted by Council – 16 May 2022

7. History

Version 6 – adopted by Council 15 June 2020
Version 5 – adopted by Council 16 July 2018
Version 4 – adopted by Council 21 September 2015
Version 3 – adopted by Council 16 June 2014
Version 2 – adopted by Council May 2012
Version 1 – adopted by Council 19 July 2010
Investment Policy subsumed – 19 July 2010